**STATEMENT OF EXXON MOBIL CORPORATION**
**TO THE GENERAL LAW COMMITTEE**
**OF THE CONNECTICUT LEGISLATURE**
**FEBRUARY 26, 2008**

This statement is submitted by Exxon Mobil Corporation for the hearing record on and in opposition to House Bill 6518 regarding gasoline pricing. ExxonMobil presently supplies and/or operates about 129 Mobil branded stations in Connecticut. Of those stations, approximately 105 are retail dealer operated by independent retail dealers. The 24 Mobil stations on the turnpike are company operated, as required under law. The balance of branded stations in the state, about 102, are owned and/or supplied by Mobil branded distributors. None of the Exxon branded stations in Connecticut are owned and/or supplied by ExxonMobil.

ExxonMobil has experienced first-hand the high level of retail gasoline competition that exists within Connecticut. With the growing emergence of hypermarket, grocery store chains, and other private brand competitors in the sale of gasoline, competition continues to intensify each year. ExxonMobil's ability to respond to these non-traditional competitors is critical to the ability of our branded dealers to compete effectively within the state.

ExxonMobil is opposed to House Bill 6518 and similar proposals because they would prevent us from responding to local competitive conditions that exist today and will continue to evolve over time. By requiring refiner gasoline suppliers to charge the same or similar wholesale prices to all customers in Connecticut regardless of local competitive conditions, the proposed legislation would place refiner supplied dealers at a competitive disadvantage and limit price competition to the detriment of the consumer.

Pricing strategies developed over time reflect local competitive conditions and enable our dealers to compete effectively. In the ever-changing competitive environment, ability to respond to local competitive conditions is critical. Mandating a single price or a narrow range of prices (due to transportation cost differences and/or volume discounts) to all refiner supplied dealers within Connecticut would effectively prevent us from considering local competitive factors in our pricing, thereby limiting our ability to respond to local competition.

Prices to our dealers are established based on both the wholesale competitive environment for sales to direct-served dealers, and the retail competition faced by a dealer in the discrete market area served by that dealer. Ultimately the dealer, an independent businessperson, sets the retail price charged to the consumer based on these local competitive conditions. By adjusting wholesale prices within a local area, ExxonMobil is able to better serve our dealers, who must respond to the local competitive environment.

One key element of the local competition faced by ExxonMobil and our dealers is the retail pricing behavior of non-traditional competitors such as hypermarkets, grocery store chains, and other private brand competitors, who would not be affected by House Bill 6518. These non-traditional/new-entrant competitors appear to use a non-traditional approach when establishing retail prices. In some cases, it appears competitors who have recently entered the gasoline business may be offering incentives in order to establish their customer base, such as providing gasoline discounts linked to increased sales of merchandise inside a retail store.

Zone pricing or market based pricing is neither new nor unique to the petroleum industry. Similar to market or zone based pricing in other industries, including hotels, car rentals, supermarket chains and movies, zone pricing of gasoline is based on the principles that competition varies from place to place and from time to time. Banning zone pricing would limit competition and would constitute an intrusion upon the efficient and competitive working of the gasoline marketplace, resulting in harm to the consumer through higher prices. As stated in a March 2004 Federal Trade Commission authorized study:

> "Economic theory, empirical research and experimental research all provide reason to believe that banning price zones would be likely to result in higher average prices (emphasis supplied)."

In 2001, the Maryland Legislature authorized an in-depth study and following its completion they rejected ban legislation.

MOST RECENTLY AND RELEVANTLY, A CONNECTICUT SPECIFIC STUDY BY QUINNIPIAC UNIVERSITY CONCLUDED THAT HAD ZONE PRICING BEEN BANNED DURING A RECENT THREE YEAR PERIOD, GASOLINE PRICES WOULD HAVE BEEN HIGHER IN MOST REGIONS OF CONNECTICUT WITH THE IMPACT FALLING DISPROPORTIONATELY ON LOWER INCOME AREAS.

In summary, House Bill 6518 will diminish competition and place our dealers at a competitive disadvantage, to the detriment of Connecticut motorists. Based on the Quinnipiac University study such detriment will likely occur across the majority of the state and disproportionately in lower income areas. Therefore, we urge the Committee to reject this bill.